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## Guide to Buying Property in the United States

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### Can a foreigner buy a house in the United States?

In short, yes — foreigners can buy property in the US with relatively few barriers. However, buying a property as a foreigner or non-resident in the US may present a few different challenges compared to buying a home if you're a US citizen.

The first challenge may come around financing the purchase because lenders are often less willing to offer mortgages to foreign customers. Secondly, some property types may not be as suitable for foreign buyers as domestic. And finally, there are potential tax implications if you're a foreign or non-resident owner of property in the US which you'll want to know about in advance. This guide covers all you need to know to get you started on buying your dream home or investment property in the US

### What type of property can a foreigner buy in the US?

The good news is that there are no legal barriers to foreigners buying property in the US. You can buy a property as a foreigner living in the US full time, as a Green Card holder, as a non-resident investor or as a vacation home.

Foreigners can buy single family homes and condo units, or invest in commercial real estate. The only common barrier they may run into is if they're looking to buy into a housing cooperative.

When you buy a home through a housing cooperative — often simply known as a co-op — you're not actually buying the property itself, but rather a share in the cooperative that owns the condo building.

Co-op properties may be cheaper than other forms of housing, but are usually intended as primary residences only, so aren't suited to being investment properties.

### What are the rules for foreigners buying property in the United States?

Foreigners can buy a property in the US without any legal restrictions. The main issue many foreigners will run into will be financing.

If you're non-resident and want an investment property in the US you might find it easiest if you can fund the payment with cash — getting a local mortgage may be tricky if you have no local credit history. It's not impossible to get a local mortgage as a foreigner or non-resident, but you may face higher interest and need to provide a hefty downpayment to unlock a mortgage.

If you're a permanent or long term resident in the US, or you're a refugee or have been granted asylum status you may qualify for a housing loan through the Federal Housing Administration (FHA). Compared to private mortgage providers, the FHA can often offer favorable terms and better rates for qualifying buyers.

## 'Documentation You Will Need When Buying Property in the United States?

When you buy a US property you'll need to provide paperwork to support your purchase, and if you're getting a mortgage or other home financing, you'll also need documents to support your loan application. Each situation will be slightly different, but here are some of the common documents you'll need to provide:

- **Proof of identity:** this can include your passport, Green Card, visa, and other identification such as your Social Security Number (SSN) or Individual Taxpayer Identification Number (ITIN)
- **Proof of address and residence status:** you'll usually have to show where you live using a drivers license or other official paperwork, and may need to prove your legal residence status if you intend to live in the property
- **Proof of income:** to get a mortgage you'll need to provide evidence you can afford to keep up repayments. This may include pay stubs and tax returns
- **Proof of affordability:** a lender will also need to see evidence of any outstanding loans or debts to assess the affordability of the loan

### Step 1. Arrange financing

The first step in any home purchase will be to figure out how much you can afford, and set a budget. This may mean applying for a home loan in the US or in your home country, refinancing a property you already own elsewhere to release cash, or using savings. We have the best Mortgage Professionals you will need to make this happen

If you're applying for a mortgage in the US and you aren't a resident, be aware that the process can take some time. We have the most professional Mortgage Experts to help you achieve your goal.

You will need to budget for closing costs and any taxes you may need to cover, as well as the ongoing costs of running your property as a home or investment.

### Step 2. Find a Great Real Estate Agent

The next step will naturally be to start searching for your perfect property. You can do a degree of research online through property websites, but you'll get the best service and support by using a trusted real estate professional to guide your search and negotiations for the best price and terms.

The costs involved in paying your realtor are often covered by the seller of the property, and a good agent can help walk you through making and closing an offer, as well as narrowing down your search to the most suitable properties.

You will want to find an agent who has lots of experience within the location you're thinking of buying in. We have more than 32 years of exceptional service from San Diego to Los Angeles, and we have offices in 81 countries to service your global real estate needs.

### **Step 3. Negotiate Price and Terms**

Once you've found the place for you, you'll need to write up an offer with your agent, and have the sellers agree to the sale price and terms. **It's common to make an Earnest Money Deposit at this stage, which is a small percentage of the sale fee to show your intentions.** This is usually between 1~3% of the offer price.

If your offer is accepted, the deposit is credited against your closing costs or downpayment, but you may lose this money if you agree to the sale and later back out by not fulfilling the terms of the contract.

Your agent will help you navigate this step — but it's worth considering adding an appraisal and any appropriate types of property inspections contingencies into your offer. These clauses will give you greater freedom in the case that your home inspection or appraisal shows issues, and could mean your deposit is returned if you are forced to abandon the sale due to serious issues showing in these pre-closing checks.

### **Step 4. Complete Your Inspections of the Property**

Once you've secured the property in principle you'll need to carry out sensible due diligence checks.

Some of these may be required by your mortgage lender, but even if you're a cash buyer, it makes sense to thoroughly check the home before you leap in. These include a home inspection, home valuation appraisal, and full review of any disclosures and reports affecting the property. — We will guide you through which checks are suitable for the type of property you're buying and review and advise you with them.

### **Step 5. Review and Sign all Closing Documents**

If you're taking a mortgage, your lender will notify you of the costs and payment schedule several days before closing with a Good Faith prorated estimate.

You'll then need to pay all relevant fees, any taxes and your down payment during a closing meeting. Once this has been completed, you will receive deeded and recorded documents showing your ownership rights.

## Taxes and Fees as a non-Resident

Before you start the journey to buying a property in the US you'll need to understand the taxes and fees involved in both the purchase and on an ongoing basis.

Some of the one time costs involved with buying a property are covered by the buyer, while others are the responsibility of the seller. In most cases, the Buyer will pay the following...

- **Title search and insurance:** 0.5% - 1 %
- **Recording fees:** 0.2% - 0.5%
- **Legal fees:** 0.5% - 1 %
- **Real Estate Commissions:** Typically in California are paid by the Seller's contract with their Listing Agent. These may be negotiated and a Buyer's Agent fee may be involved in some cases.

Local taxes and fees may also apply. On an ongoing basis it's worth remembering that if you're renting the property for an income, you must report and pay US taxes. Capital gains tax will usually apply when you sell your property on.

The cap on estate tax (payable if you die and pass on the property to an heir) can be extremely low for non-US citizens, so you may want to look at tax planning solutions depending on the value of the property you're buying.

**As with all things involving tax, the situation is complex and changes frequently, so taking professional advice is a must.** We can help you locate the best tax professional with the experience you need.